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# THE WORLD'S NATIONAL INDEBTEDNESS.

BY O. P. AUSTIN, CHIEF OF THE UNITED STATES BUREAU OF  
STATISTICS.

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RECENT international complications in the Far East and other parts of the world, the raising of great war loans by our own Government and that of England, and the floating of another loan by the United States for the purpose of interest reduction, seem to justify at this time a study of national debt conditions, past and present.

The national debts of the world, as nearly as can now be ascertained, aggregate \$31,800,000,000, if we include the \$150,000,000 borrowed by the United Kingdom, \$85,000,000 by Russia, and \$75,000,000 by Germany during the present year. According to the most trustworthy information available, the world's national debts aggregated \$2,500,000,000 in 1793 at the beginning of the Napoleonic wars, and at the actual opening of the nineteenth century were probably about one-tenth of the sum recorded at its close. It is during the latter half of the century, however, that the growth has been greatest and most remarkable. From 1793 to 1848, the increase of the world's indebtedness was only from \$2,500,000,000 to \$8,500,000,000, while, from 1848 to 1901, the growth was from \$8,500,000,000 to \$31,800,000,000. Thus, in the fifty-five years from 1793 to 1848, the increase was \$6,000,000,000, or at an average rate of \$109,000,000 per annum; while, in the fifty-three years from 1848 to 1901, the increase was \$23,000,000,000, or at an average rate of \$434,000,000 per annum. In other words, the world's national indebtedness has increased during the second half of the nineteenth century at a rate fully four times as great as that which marked the increase during the first half of that period.

The fact that this large increase in national indebtedness has been simultaneous with the world's adoption of steam and steel for land and sea transportation, suggests that railway and steam-

ship construction and operation are responsible for at least a part of this indebtedness, and this is, doubtless, the fact. Many of the European nations and most of the British colonies own their railway systems, which they have either acquired by purchase, created by direct action, or encouraged by contributions. Most of the German railways are owned by the State or National Governments. Two-thirds of the railways of Russia are owned by the Government, and this is also true, more or less, of Sweden, Norway, the Netherlands, Belgium, Austria-Hungary, and Italy; while France, which now owns some of the railways of that country, will, by the middle of the century, become the owner of practically the entire system, partly through direct contributions to their construction, and partly through an agreement by which the companies constructing the railways are to turn them over to the Government at a given date. In the British colonies, the railways were for the most part constructed with the direct aid of the colonial Governments, while in the South American countries the Governments have, in a number of important cases, aided railway construction either by direct action or guarantees. In the United States, as is well known, the only aid given to railways by the National Government has been through land grants and the guarantees of the Pacific Railway bonds, which within the past few years have been so adjusted that the entire amount will be refunded to the Government.

A larger factor, however, in the increase of national indebtedness which has characterized the second half of the period under consideration is the expense incident to wars and the maintenance of armies and navies. This increase is especially marked in the case of the older and stronger Governments, while in the newer countries and the colonies the increase has been chiefly due to the development of transportation routes and other works of public utility. The enormous standing armies of the European countries have, during the past half-century, added greatly to their regular annual expenditures; while the frequently recurring wars, with their ever-increasing cost, have, as in the recent cases above referred to, compelled large and instant additions to national indebtedness. The great cost of modern engines of war, and the enormous outlay entailed by each day of their active use, now compel an enormous increase in the expenditures of a nation whenever it enters upon war. The Crimean war, the wars of France in con-

nection with her colonial undertakings, the Civil War in the United States, the war between France and Germany, the Russo-Turkish war, the war between China and Japan, the Spanish-American war, and the British war in South Africa, coupled with numerous less important events of this character, have been largely responsible for the enormous increase of national indebtedness in the closing half of the century. The Austrian debt, which at the middle of the century was \$600,000,000, is now \$1,700,000,000; that of Germany (exclusive of the State debts) has increased from \$115,948,000 in 1870 to \$557,000,000 in 1900; that of Italy, from \$1,400,000,000 in 1869 to \$2,583,000,000 in 1900; that of Russia, from \$600,000,000 in 1853 to more than \$3,000,000,000 in 1900, and that of France, from a little over a billion dollars in 1852 to \$5,800,000,000 in 1900.

The English-speaking nations, the United Kingdom and the United States—omitting the English-speaking colonies for the moment—are the only ones which have shown, during the period under consideration, a disposition to decrease rather than increase their national debts. The British debt in 1857 was over \$4,000,000,000 and by 1900 had been reduced to about \$3,000,000,000, though the United Kingdom has, since March, 1900, increased her debt by nearly \$450,000,000. The debt of the United States reached its highest figure in 1865, when it stood at \$2,756,431,571, but by 1900 it had been reduced to \$1,107,711,257, the figures in each case representing the "total debt less cash in the Treasury."

Bringing the study down to a shorter period, say from 1870 to 1900, it may be said, in general terms, that the debts of the Latin-American nations have increased during that period fifty per cent.; those of Europe, exclusive of the United Kingdom, one hundred per cent.; those of the Asiatic nations, whose debt statistics are available, two hundred per cent.; those of the British colonies, exclusive of India, from three to four hundred per cent.; while the United Kingdom, meantime, reduced her debt twenty-five per cent., and the United States reduced hers fifty per cent.

The above facts are somewhat suggestive of the debt habits of the various great ethnological groups of people which may be considered in conjunction with the national groups. The author of the latest edition of "Fenn on the Funds" calls attention somewhat pointedly to this characteristic by saying:

"It is impossible to examine the histories of national debts without being struck by the fact, that the conditions surrounding their creation are not only of great diversity, but in many cases incompatible with one recognizable common principle. There are nations who almost paraphrase a famous saying: 'It is a fine day; let us go out and increase our national debt;' and there are others—though they are few—which abstain from contracting obligations almost to a niggardly degree. . . . Another even more disquieting feature is the spirit of levity in which many nations—chiefly Latin nations—evidently treat their national debts. To all appearances, the present generation in many parts of the world merrily mortgages not only itself but its offspring; and, as is only to be expected, this light-hearted borrowing leads in many cases to collapse, and in many cases national insolvency seems to be as cheerfully accepted as loaning is indulged in."

This suggestion appears to be not altogether without justification, when we consider that the debt of Spain has more than doubled since 1874; that Italy's public debt has doubled since 1870; that the debt of Portugal is larger *per capita* than that of any other European country, and that the debt of France in 1900 was five times as much as in 1852. The group of European nations which may be termed Germanic show little change in their public indebtedness during recent years, though an analysis of their debts at the present time shows that the work of the past quarter-century has been devoted to the construction and acquisition of ownership of railways and other works of this character, and that these properties in many cases are considered as equivalent for, and producing in part at least the annual charges upon, the national indebtedness. In general terms, it may be said that the Germanic nations, while not materially reducing their indebtedness, have made but slight additions thereto in the last quarter-century, and have accumulated in most cases definite revenue-producing assets as an equivalent of the debts; that the Slav group, of which Russia is the distinct representative, with Austria-Hungary midway between that and the Germanic, have largely increased their indebtedness, but accumulated, meantime, railway and other assets as a partial equivalent; that the Latin nations have increased their indebtedness with a rapidity which might almost be characterized as reckless, and with less definite assets as an equivalent than in the case of the other groups mentioned; that in India and the British colonies generally the increase of indebtedness has been for the construction of railways, roads, irrigating canals, harbor improvements, public buildings and other works of this character; and that, in the case of the

United Kingdom and the United States, the debt increase, which has been chiefly on account of wars, has been met with a steady and persistent disposition to reduce in time of peace the indebtedness necessarily created in time of war.

As to the class of persons holding these enormous obligations incurred by the various nations, it may be said in general terms that those of the United Kingdom, Austria-Hungary, France, Germany, the Netherlands and Belgium are held almost entirely by their own citizens; while those of Italy, Spain, Portugal and Russia are held in part by their own citizens, the remainder being held chiefly in France and Germany; those of the Latin-American nations chiefly in England; those of China and Japan chiefly in England, the Netherlands, Belgium, Germany and France, and those of the British colonies chiefly in the United Kingdom.

A study of this kind would not be complete or satisfactory without some consideration of the relative debt-paying capacity of nations in 1900, as compared with the earlier years of the period under consideration. This is even more difficult to determine than the mere measurement of national indebtedness. True, the population at various dates during the century can be determined with a fair degree of accuracy, and the actual currency of the great nations can also be approximately determined; but in the matter of credit instruments, which now so largely take the place of currency, and in the matter of wealth, the measurement of growth or relative growth is extremely difficult. In general terms, it may be said that, while the world's national debts have increased tenfold during the century, the world's population has during that time increased but about one hundred and fifty per cent.; that gold and silver, which form the basis of the money with which debt payments are made, increased but three hundred per cent., although the proportion of those metals which is now turned into coin is much greater than at the beginning of the century. As to wealth and the various instruments of exchange which serve in fact as currency and vastly increase the availability of the stocks of actual money existing, it may be added that, while they cannot be accurately measured, there is reason to believe that they have increased at a ratio not essentially different from that which characterizes the increase of national debts. The United States, United Kingdom, France and Spain made some crude estimates of their national wealth in the

early part of the century, and the total of their wealth in 1800 has been estimated at \$20,000,000,000, while Mulhall in 1895 estimated their wealth at \$195,000,000,000, indicating that, at the end of the century, it was fully ten times as much as at the beginning of the century; and, if we assume that the development in other parts of the world has been at about the same proportion, it may without impropriety be said that the increase of national wealth during the century has been at about the same ratio as the increase of national indebtedness, while the great use which is now made of instruments of exchange, in international and in internal commerce, justifies the assumption that the actual increase which has taken place in circulating medium has been at fully as great a ratio as that of national indebtedness.

Another curious fact brought to the surface by a study of the methods of nations in regard to their national debts is the fact that, in a majority of cases, the securities issued represent a greater sum of money than that actually received by the nations issuing them. The recent loan issued by the British Government is a marked example of this characteristic of national debt management. Although nobody questions the entire solvency of the British Government and its ability and disposition to meet its national obligations and systematically reduce them, the recent issue was made at five and a half per cent. below par; so that the generation which redeems these securities will be compelled to refund to the holders of the securities practically six per cent. more of actual cash than the present generation received in borrowing, to say nothing of the annual interest payments which will be made meantime. This peculiarity of national borrowing, which is observable in a large proportion of the loans issued by National Governments during the past quarter-century, is especially emphasized by a study of the rates at which the French loans have been made. The author of "*Fenn on the Funds*" presents, in the latest edition of that valuable work, a table showing the issue price of French securities from 1816 to 1884, from which it is seen that during that entire period only three of the large number of loans issued were at par, and that the great loan of 1870 was issued at 60.6 per cent., those of 1871 and 1872 at 82.5 per cent. and 84.5 per cent., respectively, and the loan of 1881 at 83.2 per cent., thus obligating future generations for

sums from 18 to 66 per cent. in excess of the amounts actually received by the borrowers.

On the other hand, there are certain features of present conditions with regard to national indebtedness which are more encouraging and more hopeful. One of the marked characteristics of the century has been a reduction in interest rates, though this is, perhaps, somewhat exaggerated by the habit above referred to of issuing bonds at less than their par or face value, with the purpose of obtaining apparently lower interest rates. It may be said, however, in general terms, that the nominal rates of interest have fallen probably one-half, perhaps more, during the century. It will be remembered that the United States in 1865 was paying 7.3 per cent. interest on \$830,000,000 of its securities, and that in 1900 it issued \$300,000,000 at 2 per cent., thus enjoying the distinction of having not only reduced its interest rate enormously, but of having floated its loans at a lower interest rate than any other nation in the world. In doing so, it issued them actually at par; while, in many cases, those of other Governments bearing even a higher rate of interest are issued below par, as is illustrated by the recent British loan sold at  $94\frac{1}{2}$  with rates of interest at  $2\frac{3}{4}$  per cent. for a short term, followed by a permanent rate of  $2\frac{1}{2}$  per cent. Considering the debts of the world to-day, it may be said that the bulk of them stand at an interest rate of from 2 to  $3\frac{1}{2}$  per cent., or probably about one-half that which the great nations were required to pay, under normal conditions, at the beginning of the century; though in case of exigencies, such as those of the United States referred to, the rate was much higher.

The total expenditures of the nations of the world on account of public debts in 1900, as nearly as can be estimated from their "Budget" statements, amounted to about \$1,300,000,000, or slightly more than four per cent. upon the total indebtedness; but this included in some cases sums set aside, as sinking funds or otherwise, for the reduction or "amortization" of the debt.

This subject of sinking fund and debt amortization also presents, in many cases, a somewhat unsatisfactory aspect as to the general habit of many of the nations of the world in regard to debt reduction. In too many cases, apparently, there is little effort at a reduction of national indebtedness; and, in certain cases, especially those of France, Italy and Portugal, the debt has grown to such enormous proportions, and the indisposition to



make serious efforts for its reduction or cancellation has become so marked, that it is no longer measured by the actual amount of obligations outstanding, but only by the "*rentes*," or annual interest requirement. This is especially true with reference to France and Italy, in which countries there has been apparently little effort at reduction of the principal, but a constant and steady increase in the total amount of their national obligations. The chief effort made seems to be in the line of interest reduction, and a number of loans issued during the past few years have been made at lower interest rates with the purpose of taking up and cancelling those issued at higher rates in earlier years.

It should not be inferred from the above statements that nations habitually omit to provide a sinking fund as a part of the act by which new loans are authorized; but the experience of those who have studied the history of national finances is, that

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THE WORLD'S NATIONAL INDEBTEDNESS, BY PRINCIPAL COUNTRIES, AT VARIOUS DATES, FROM 1688 TO 1900.  
(From latest official sources.)

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DATES.	AUSTRIA. Dollars.	BELGIUM. Dollars.	FRANCE. Dollars.	GERMANY. <sup>1</sup> Dollars.	ITALY. Dollars.
1688.....	.....	.....	.....	.....	.....
1702.....	.....	.....	.....	.....	.....
1714.....	.....	.....	<sup>2</sup> 389,320,000	.....	.....
1727.....	.....	.....	.....	.....	.....
1748.....	.....	.....	.....	.....	.....
1775.....	<sup>3</sup> 72,997,500	.....	.....	.....	.....
1783.....	.....	.....	.....	.....	.....
1800.....	<sup>4</sup> 170,327,500	.....	.....	25,549,125	.....
1820.....	480,323,500	.....	<sup>5</sup> 689,923,705	150,861,500	.....
1850.....	<sup>11</sup> 608,312,500	.....	<sup>121</sup> 192,292,500	.....	<sup>13</sup> 194,660,000
1870.....	<sup>171</sup> 1,464,816,500	<sup>18</sup> 133,147,440	2,676,575,000	<sup>19</sup> 115,948,000	<sup>20</sup> 1,386,952,500
1880.....	.....	<sup>224</sup> 6,994,341	4,065,946,151	.....	<sup>24</sup> 2,218,861,209
1890.....	<sup>271</sup> 1,485,282,500	<sup>28</sup> 383,723,525	<sup>29</sup> 5,031,119,096	<sup>26</sup> 233,932,665	<sup>27</sup> 2,459,237,110
1900.....	<sup>30</sup> 1,697,255,140	<sup>31</sup> 504,460,000	5,800,691,814	557,626,622	2,583,983,780

DATES.	NETHERLANDS. Dollars.	RUSSIA. Dollars.	UNITED KINGDOM. Dollars.	UNITED STATES. Dollars.	WORLD. Dollars.
1688.....	.....	.....	3,232,636	.....	.....
1702.....	.....	.....	62,131,700	.....	.....
1714.....	.....	.....	176,047,876	.....	.....
1727.....	.....	.....	257,198,404	.....	.....
1748.....	.....	.....	368,939,740	.....	.....
1775.....	.....	.....	618,835,883	.....	.....
1783.....	.....	.....	1,126,515,090	.....	.....
1800.....	<sup>54</sup> 86,650,000	.....	<sup>62</sup> 616,438,363	82,976,294	<sup>72</sup> 433,250,000
1820.....	<sup>700</sup> 776,000	.....	<sup>104</sup> 381,975,906	91,015,566	7,299,750,000
1850.....	<sup>144</sup> 98,621,590	<sup>16</sup> 608,312,500	<sup>164</sup> 082,596,603	63,452,774	<sup>178</sup> 419,045,000
1870.....	<sup>1392</sup> 434,560	<sup>181</sup> 1,459,950,000	3,896,606,550	<sup>202</sup> 331,169,956	<sup>212</sup> 210,232,000
1880.....	<sup>22390</sup> 823,749	<sup>252</sup> 2,238,872,257	3,778,858,366	<sup>201</sup> 919,326,748	<sup>226</sup> 249,901,000
1890.....	<sup>28442</sup> 194,523	<sup>282</sup> 2,827,684,692	3,361,115,568	<sup>2890</sup> 784,371	.....
1900.....	466,419,294	3,167,320,000	3,060,926,304	<sup>21</sup> 1,107,711,257	31,201,750,000

<sup>1</sup>Prussia prior to 1870; figures for 1889 and 1900 are exclusive of State debt, which in 1900 aggregated \$2,015,958,000.

<sup>2</sup>1716; <sup>3</sup>1763; <sup>4</sup>1789; <sup>5</sup>1810; <sup>6</sup>1802; <sup>7</sup>1793; <sup>8</sup>1830; <sup>9</sup>1814; <sup>10</sup>1815; <sup>11</sup>1848; <sup>12</sup>1852; <sup>13</sup>1847 (figures for Sardinia); <sup>14</sup>1851; <sup>15</sup>1853; <sup>16</sup>1857; <sup>17</sup>1868; <sup>18</sup>1869; <sup>19</sup>chiefly former debt of North German Confederation; <sup>20</sup>total debt less cash in the Treasury; <sup>21</sup>1872; <sup>22</sup>1879; <sup>23</sup>1883; <sup>24</sup>1886; <sup>25</sup>1876; <sup>26</sup>1882; <sup>27</sup>1888; <sup>28</sup>1889; <sup>29</sup>1894; <sup>30</sup>1898; <sup>31</sup>1899.

in most cases the provision for sinking fund is neglected or the fund created for this purpose is used in emergencies for other purposes. Probably more than half of the securities authorized by the various Governments are accompanied by a requirement that from one-half of one per cent. to one per cent. of the capital of the debt shall be annually set aside by the authorities for the purpose of reducing the indebtedness, this sum to be applied to the purchase of bonds, which are, in most cases, not to be immediately cancelled, but held as a part of the sinking funds and their interest earnings also applied to the increase of the sinking fund. Where this plan is rigidly followed, the result is a steady and permanent debt reduction; but frequently it is ignored, and in some cases, especially in France and Italy, a part of the debt is now designated as "permanent," no date being named for the payment of the bonds and no provision made for anything except the annual interest thereon.

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TOTAL INDEBTEDNESS, INTEREST AND OTHER ANNUAL CHARGES,  
AND PER CAPITA DEBT AND INTEREST OF THE PRINCIPAL  
NATIONS IN 1900, OR NEAREST PRECEDING DATE.

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Countries.	Debt. Dollars.	Interest and other annual charges. Dollars.	Per Capita—	
			Debt. Dollars.	Interest. Dollars.
France .....	5,800,691,814	241,762,029	150.61	6.28
Russia .....	3,167,330,000	141,519,000	24.56	1.10
United Kingdom.....	3,060,926,904	112,985,531	74.83	2.76
Italy .....	2,583,983,780	114,177,185	81.11	3.58
Spain .....	1,727,994,620	80,782,000	95.53	4.46
Australasia .....	1,183,055,000	45,458,000	263.90	10.14
Austria-Hungary .....	1,154,791,000	51,175,285	25.80	1.14
United States.....	1,107,711,257	33,545,130	14.52	.44
India .....	1,081,608,705	33,971,400	4.67	.15
Hungary .....	904,941,000	41,892,000	47.75	2.22
Turkey .....	726,511,195	28,419,600	29.25	1.14
Portugal .....	670,221,374	21,550,320	143.82	4.62
Austria .....	642,194,000	30,969,000	24.89	1.20
<sup>1</sup> German Empire.....	557,626,622	18,283,441	9.96	.33
Argentina .....	509,604,444	26,902,377	128.85	6.80
Belgium .....	504,459,540	19,536,811	75.63	2.93
Egypt .....	500,402,729	20,063,637	53.61	2.15
Brazil .....	480,985,000	21,500,000	33.56	1.50
Netherlands .....	466,419,294	14,117,838	90.74	2.74
China .....	287,123,500	12,000,000	.72	.03
Roumania .....	230,136,991	17,904,996	47.37	3.00
<sup>2</sup> British Colonies.....	265,541,000	10,500,000	26.43	1.04
Canada .....	265,494,000	13,392,000	50.59	2.55
Japan .....	206,799,994	18,126,702	4.73	.41
Mexico .....	168,771,428	10,699,689	13.36	.84
Greece .....	168,548,444	6,293,730	69.25	2.58
Uruguay .....	124,374,189	6,056,000	148.06	7.20
Chile .....	113,240,000	965,455	36.41	.31
Honduras .....	89,376,920	1,125,190	219.60	2.76
Sweden .....	85,154,320	3,173,388	16.71	.62
Denmark .....	55,795,724	1,891,812	24.15	.82
Other countries.....	2,309,960,086	14,131,953		
Total.....	31,201,749,274	1,214,871,504		

<sup>1</sup>In addition to the Imperial debt the individual German States have a total indebtedness of \$2,015,958,000, chiefly incurred for works of public utility.

<sup>2</sup>Except Australasia, Canada and India.

The table printed at the foot of page 168 shows the debts of the principal nations at various periods since 1688. The table on page 169 presents the latest figures, available when this article was originally written, of the total national indebtedness of each of the principal nations of the world, the interest and other annual charges thereon, and the *per capita* of debt and annual interest charge.

Supplementing this table by figures since received, we find that France has the largest debt, the total being \$5,808,650,000; that the United Kingdom is second, the total being \$3,494,000,000; Russia third, \$3,253,000,000; Italy fourth, \$2,583,983,780. The German States are included in the list because of the fact that their obligations were largely created for railway and other works of public utility, and have been constantly included in the earlier statements of European national obligations, and to omit them would impair the value of the figures for comparative purposes. In the matter of *per capita* debt, the Australian colonies carry the heaviest burden, their *per capita* debt being \$263.90 and their annual interest and amortization charge \$10.14 *per capita*, which is also the highest *per capita* of interest charge recorded in the entire list of Governments. The fact, however, that they have valuable and profitable assets, such as railways and other public works, as an equivalent, makes the burden more apparent than real. It is gratifying, on the other hand, to note that the interest charge against the debt of the United States is but 44 cents *per capita*, as compared with very much higher figures for most of the other Governments, which are generally considered the most prosperous and well-managed as to their finances, the interest upon the debt of the Netherlands in 1900 amounting to \$2.74 for each individual; that of Belgium, \$2.93; that of the United Kingdom, \$2.76, and that of France, \$6.28.

O. P. AUSTIN.